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THE RIGHTS OF JOINT OWNERS OF A PATENT

OWING to the fact that the courts have decided the question quite at variance from the expectations of ordinary persons, there is, perhaps, no legal proposition in patent law more interesting or important than that of the rights of joint owners of a patent.

The relationship may arise from the parties being joint inventors, by their being joint assignees from the inventor or previous owner, or by the most common method, of one being an assignee from the patentee of a fractional interest in a patent; frequently in consideration of paying the expense of procuring the patent. By authority of the statute, based upon the Constitution of the United States, patents are issued to inventors, conveying to them the exclusive right to make, use, and sell the invention for a period of seventeen years from the date of issue of the patent and the same authority gives to the inventor the right to assign the entire title, or a fractional interest therein, to another party or parties; and it also gives the inventor or his assignee the right, while retaining the title himself, to grant to others the right, either exclusively or non-exclusively, as desired, to make, use, and sell the device of the patent throughout the entire United States, or a specified portion of the same.¹

This grant of a patent being a practical monopoly for the life of the patent, the ordinary inventor purposing to assign a fractional portion of his patent to another person, usually and quite naturally assumes that if there are two owners, both must act conjointly to do anything with the patent, either in the matter of making and selling the device or granting licenses or conveying title; and that if one co-owner retains a majority interest in the title of the patent, that such majority interest will enable him to absolutely control the patent in the same way he could were it assigned to a corporation in which he held the controlling interest; and that the other party or parties in interest must account to him for profits made; and it is frequently because of such understanding that most inventors assign their interests in their patents to some one else and that a third party is willing to put up money to take an undivided interest in a patent. While there is some authority² sup-

¹ U. S. R. S. 4898-4899.

² *Pitts v. Hall*, Fed. Case 11193 (leading case) and dicta in *Herring v. Gas Consumers' Association*, 9 Fed. 556; *Parkhurst v. Kinsman*, 6 N. J. Eq. 601; *Dunham v. R. R. Co.*, Fed. Case 41515.

porting the foregoing understanding of the situation as the correct proposition of law, it does not, by weight of authority, appear to be correct.

All the cases just referred to as well as those discussed at length hereafter, concede, either expressly or by implication, that one co-owner cannot convey away the title of his other co-owners and most of the cases agree that each co-owner has the right to *himself* make, use and sell the device of the patent without accounting to his co-owners.

The reasoning of many of the cases both in actual decision and dicta is well illustrated in the English case of *Steers v. Rogers*,¹ where Lord Chancellor Herschell said:—

“What is the right which a patentee has, or patentees have? It has been spoken of as though a patent right were a chattel or analogous to a chattel. The truth is the letters patent do not give the patentee any right to use the invention. They do not confer upon him a right to manufacture according to his invention. That is a right which he would have equally effectually if there were no letters patent at all, only in that case, the world would equally have the right. What the letters patent confer is the right to exclude others from manufacturing in a particular way and using a particular invention. When that is borne in mind it appears to me very clear that it would be impossible to hold under these circumstances that, where there are several patentees, either of them, if he uses the patent, can be called upon by the others to pay them a portion of the profits which he makes by that manufacture, because they are all of them, or perhaps any of them is, entitled to prevent the rest of the world from using it.”

When, however, the matter is carried to the extent of one co-owner licensing third parties to make, use, and sell the device without accounting to his other co-owners, the courts experience much more difficulty. Upon this point some cases, as noted above, hold that the licensing owner must account to his co-owners; but the great bulk of them and those best considered hold that *each co-owner, irrespective of the amount of his interest may license others to make, use, and sell the device without any right of accounting and recovery by the other co-owners*.²

Referring to the leading cases, we find:—

¹ 62 Law J. Ch., 671.

² See *Vose v. Singer*, 4 Allen 226; 86 Mass. 226, 81 Amer. Decisions 696; *DeWitt v. Mfg. Co.* 66 N. Y. 460; *Fraser v. Gates*, 118 Ill., 99 1. N. E. 817; *Washburn & Moen v. Chicago Galvanized Fence Co.* 109 Ill. 71; *Mathers v. Green*, 34 Beavan, 170 s.c. on appeal 35 Law J. Ch. 1; *Steers v. Rogers*, 62 Law J. Ch. 671; *LaLance & Grosjean v. National Enameling Co.* 108 Fed. 77; and *Blackledge v. Weir & Craig Co.* (CCA-7C) 108 Fed. 71.

In the case of *Vose v. Singer*,¹ the parties were joint half owners of the exclusive right to vend to others to be used, but not to build or make, the patented machine within a specified territory. In considering whether the defendant should account to complainant for the profits made from sales of the patented article, the court rejected the analogies of joint ownership in real estate and various kinds of personal property and in so doing said:—

. . . "There is nothing to restrict the party owning each moiety of the (patent) right from selling and assigning that moiety; or any fractional part of it, or as many fractional parts as he pleases. Each may purchase as many machines as he pleases; and having purchased them, he may sell them to others, with the right to use and sell them, or may refuse to sell them, and may rent them, or establish manufactories, either alone or in company with others, in which the machine shall be used; or either party may neglect or refuse to purchase, use, or sell any machines or any rights, or to make his moiety profitable in any way. The right is thus subject to transfers and subdivisions, and may be used in a great variety of ways. None of the parties interested has any right to control the action of the other parties, or to exercise any supervision over them. It is difficult to see how an equitable right of contribution can exist among any of them, unless it includes all the parties interested and extends through the whole term of the patent right; and if there be a claim for contribution of profits, there should also be a correlative claim for losses, and an obligation upon each party to use due diligence in making his interest profitable. It is not and cannot be contended that these parties are co-partners; but the idea of mutual contribution for profits and losses would require even more than co-partnership. Nothing short of the relation of stockholders in a joint stock company would meet the exigencies of parties whose interests may be thus transferred and subdivided. But even as between the original parties, as there was no mutual obligation to contribute for losses, or to use any diligence to make the property profitable, and as each party was at liberty to buy, use, and sell machines at his pleasure, and to sell his moiety of the right, or fractional parts of it, we think no obligation arose out of the part ownership, as being legally or equitably incident to it, to make contribution of profits. But, in the absence of any contract, we think each party was at liberty to use his moiety as he might think fit, within the territory described. If the defendants have realized any profits in the manner alleged, it has been by investing capital in the purchase of machines, and the use of skill and labor in selling them; and they have taken the risk of losses. Apparently there is no more reason why the plaintiff should claim a part of the advanced price for which they may have sold their machines than there would have been for claiming a part of the price if they had sold their right itself for an advance. . . . These parties must be regarded as having interests which are distinct and separate in their nature, though they are derived from the same contract; and having such interests, with the right to use them separately, they cannot for any legal use of them incur any obligation to each other."

¹ 4 Allen 226, 86 Mass. 226, 81 Amer. Decisions 696.

In *Dunham v. R. R. Co.*,¹ one co-owner of a patent agreed to deliver to the defendant a license for a specified sum of money. When the license was tendered, it was refused on the ground that it was signed by only one co-owner, and when suit was brought on the agreement to take the license, this fact was pleaded. Judge Drummond overruled the plea and held the license signed by one co-owner perfectly good and that the contract must be fulfilled. Judge Drummond said:—

“One of them has no superiority of right over the other. One of them can use and manufacture the article patented without the consent of the others; that is, each has the same right, although one may own a greater share of the thing patented than the other. The grant was, in this case, to the three to make, use, and vend the improved car brake shoes; and while it is clear that one of the patentees cannot grant what does not belong to him, and, if he gives a license or makes a contract for the use of the thing patented, he can only grant that which he has himself, and not the rights of the other patentees, still he can clothe his grantee or licensee with the same right that he has himself, namely, the right to sell or use the thing patented.

My conclusion therefore is the fact that one of the patentees has given a license to the defendant to use the thing patented clothes him with the right to use it, and, having that right, he is liable under his contract for the payment of the one thousand dollars which he agreed to pay for the license.”²

In the English case of *Mathers v. Green*,³ the master of the rolls held a part owner of a patent accountable to another part owner for a share of the profits made by the use of the invention; but on appeal, the judgment was reversed, and Lord Chancellor Cranworth said:—

“The right conferred is a right to exclude all the world other than the grantees from using the invention. But there is no exclusion in the letters patent of any one of the patentees. The inability of any one of the patentees to use the invention, if such inability exists, must be sought elsewhere than in the letters patent. But there is no principle, in the absence of contract, which can prevent any persons not prohibited by statute from using any invention whatever. Is there, then, any implied contract, where two or more persons jointly obtain letters patent, that no one of them shall use the invention without the consent of the others, or, if he does, that he shall use it for their joint benefit. I can discover no principle for such a doctrine. It would enable one of two patentees either to prevent the use of the invention altogether, or else compel the other patentee to risk his skill and capital in the

¹ Fed. Case 4151.

² This case contains some dicta to the effect that accounting may be had in a proper case between the original co-owners; but the court expressly states the question is not before it and declines to decide the point.

³ 34 Beav. 170, s. c. on appeal 35 Law J. Ch. 1.

use of the invention on the terms of his being accountable for half of the profit, if profit should be made, without being able to call on his co-patentees for contribution if there should be a loss. This would be to place the parties in a relation to each other which, I think no court can assume to have been intended, in the absence of express contract to that effect."

The latest and best case of all, and one rapidly becoming the leading case, which reviews all of the authorities and states the proposition most forcefully and logically, and which has the added weight of being the only case upon the point before a United States Circuit Court of Appeals is *Blackledge v. Weir & Craig Mfg. Co.*,¹ where the Court, after reviewing all of the authorities, affirms the proposition in its broadest terms saying:—

" . . . while the statute regulating the subject authorizes the issue of a patent to two or more, and the transfer by assignment of partial interests to different persons, it contains no expression or intimation that one owner may not use the invention without the consent of the co-owner. To ingraft such a meaning upon the statute by construction would be promotive of injustice because it would put the enterprising owner at the mercy of the drone, visionary, or knave with whom he should find himself associated."

"The use of an invention by one of the co-owners or by his licensees is not the exercise of the entire monopoly conferred by the patent. That can be effected only by the joint or concurrent action of all the owners. The separate action of any one owner or of his licensees can be an exercise or use of only his individual right, which, though exclusive of all besides, is not exclusive of the other patentees, their assignees or licensees. On principle, therefore, there can be no accountability on the part of a part owner of an invention to other owners for profits made by the exercise of his individual right, whether it be by engaging in the manufacture and sale, or by granting to others licenses, or by assigning interests in the patent. His use of the invention in any lawful way is not an appropriation of anything which belongs to another. The separate rights of the others remain unaffected. They are equally free to use the invention in all legitimate ways for their individual profit. Each is entitled to the fruits of his endeavors, taking no risk and expecting no reward from enterprises in which he does not choose to join. There is therefore, no ground for the distinction insisted upon between profits derived directly from the manufacture, use and sale of the patented article by the owner and profits derived by him from the sale of licenses. It is conceded that the part owner of an invention may sell his title or interest as a whole or in parts without being accountable to another owner for any portion of the consideration received. But it is clear that he might part with his entire title or interest by granting a license or licenses in terms which should forbid further licenses and further use of the invention. In such a case the license fee or fees would be the price obtained for his interest in the invention, and so the price of any license by which he parts with a fraction of his interests in terms excluding him and his assigns from rival use of the invention is the consideration received for the transfer of so much of his right or interest, and

¹ (C C A—7C) 108 Fed. 71.

not of any right of the other owners of the patent. Besides, if it be conceded that one of the co-owners may engage in the manufacture and sale of a patented article without accounting to the other owners for the profits, on what principle shall it be said that he may not grant a license to a corporation or a partnership in which he is interested,—it may be, solely interested, and if to a corporation or a partnership in which he is directly interested, then why not to a corporation or company or person in whom he is indirectly concerned, say as mortgagee, general creditor, surety, or otherwise? Where shall the line be drawn?

"It follows that the charge in the declaration that the defendant 'has by itself exercised the exclusive rights granted to both plaintiff and defendant' is not true. In the nature of things that could not be technically so; and it is not alleged that the defendant has intentionally and wrongfully so exercised its individual right under the patent as to destroy the value of the equal right possessed by the plaintiff.

"The judgment of the circuit court is affirmed."

As side lights upon the main proposition it may be stated that—

(A) A joint owner cannot grant a license which will destroy rights which have already accrued to the joint owners, and, by implication, a license by one owner can only take effect from the date of its issue.¹

(B) The proportion of interest which the licensing joint owner has is immaterial as affecting his right of licensing.²

(C) While there is no title or right to account in the absence of contract, the matter may be regulated by contract, but such a contract makes the parties joint tenants in common and not partners.³

(D) A contract of assignment to two or more parties as individuals does not make them partners.⁴

(E) Where the title to a patent is conveyed to a partnership the members of the partnership acquire no individual title and the foregoing propositions do not apply to them; if attempted licenses are made by one of the partners, he is liable to account to his co-partners.⁵

(F) A case wholly irreconcilable with the foregoing authorities is *Herring v. Gas Consumers' Association*,⁶ which holds that while a co-owner cannot be held to account for his use of the specific

¹ *LaLance & Grosjean v. Haberman Mfg. Co.*, (C.C-NY) 93 Fed. 197-198.

² *Dunham v. R. R. Co.* Fed. Case 4151.

³ *Fraser v. Gates*, 118 Ill. 99 and leading cases heretofore referred to.

⁴ *Fraser v. Gates*, 118 Ill. 99, and *Dunham v. R. R. Co.* Fed. Case 4151; *DeWitt v. Elmira Noble Co.*, 66 N. Y. 460; *Parkhurst v. Kinsman*, 1 Blatch. 488, 6 N. J. Eq. 601.

⁵ *Freeman v. Freeman*, 142 Mass. 98; *Rogers v. Riessner*, 30 Fed. 525; *Burr v. DeLaVergne*, 102 N. Y. 415.

⁶ 9 Fed. 556.

device of the patent, he can be held for using an infringing device. As a device to infringe must be the device of the patent or there is no infringement, the decision is clearly wrong. The case, decided by a Missouri District Court, appears to have been never affirmed or followed by another court.

CONCLUSION

As it is conceded by the foregoing authorities that a co-owner cannot convey the title of his co-owners, and there is no known way by which a partition of the legal title can be legally forced when once a joint ownership is established, and it being an elementary proposition of patent law that the complete title of a patent must be in a complainant before any litigation can be conducted and it being shown by the foregoing authorities that any co-owner may license third parties without the consent of the co-owners, the reader need only be familiar with the ease with which two or more persons disagree as to price at which a patent shall be sold or the terms on which licenses shall be granted to arrive at the conclusion that a title to a patent should never be placed in two or more persons jointly.

An attorney asked to draw a contract providing for joint ownership of a patent should always advise against it for the reasons stated and make the conveyance, preferably, to a corporation in which the owners are stockholders; if this is impossible, then to a trustee under a full and detailed trust agreement and as a last alternative to a technical partnership of which the proposed owners are members. If all of these plans are rejected by the client, insist that a full and specific written contract defining the rights of the respective co-owners be entered into, at the time they take title; and, if possible, record the contract with the assignment in Washington.

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